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RUEHUJA/AMEMBASSY ABUJA 2205  
RUEHAR/AMEMBASSY ACCRA 2643  
RUEHDS/AMEMBASSY ADDIS ABABA 2765  
RUEHBJ/AMEMBASSY BEIJING 0090  
RUEHBY/AMEMBASSY CANBERRA 2034  
RUEHDK/AMEMBASSY DAKAR 2390  
RUEHKM/AMEMBASSY KAMPALA 2814  
RUEHNR/AMEMBASSY NAIROBI 5242  
RUEAIIA/CIA WASHDC  
RUEHGV/USMISSION GENEVA 1935  
RHEHAAA/NSC WASHDC  
RHMFISS/JOINT STAFF WASHDC  
RUEHC/DEPT OF LABOR WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RHEFDIA/DIA WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC  
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK  
RUZEHAA/CDR USEUCOM INTEL VAIHINGEN GE

C O N F I D E N T I A L SECTION 01 OF 03 HARARE 000141

SIPDIS

AF/S FOR B.WALCH  
AF/EPS FOR ANN BREITER  
NSC FOR SENIOR AFRICA DIRECTOR  
STATE PASS TO USAID FOR L.DOBBS AND E.LOKEN  
TREASURY FOR D. PETERS  
COMMERCE FOR ROBERT TELCHIN  
ADDIS ABABA FOR USAU  
ADDIS ABABA FOR ACSS

E.O. 12958: DECL: 04/01/2018

TAGS: [EMIN](#) [EINV](#) [PGOV](#) [ZI](#)

SUBJECT: PLATINUM - ZIMBABWE,S BELEAGURED GOLDEN GOOSE

REF: A. HARARE 110

[B](#). HARARE 096

[C](#). 2008 HARARE 459

[D](#). 2007 HARARE 172

Classified By: Ambassador James D. McGee for reason 1.4 (d)

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Summary  
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[1](#)1. (C) Zimbabwe's rich platinum resources contributed a third of the country's exports, excluding gold, in 2008. The ore came from two mines. Platinum claims surrendered to the government in recent years by mining companies in return for empowerment credit have for the most part ended up in the hands of asset speculators, apparently including President Mugabe. Rogue investor Billy Rautenbach, in the meantime, appears to have run into technical problems, compounded by USG sanctions, in developing his company's recently acquired platinum claim. Cleaning up the minerals sector would go a long way toward stabilizing Zimbabwe,s economy. End Summary.

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Platinum ) Zimbabwe's Goose that Lays the Golden Egg  
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[1](#)2. (U) Zimbabwe,s mineral-rich Great Dyke (Ref D) has four major platinum complexes that constitute the world's second largest platinum reserves: At its southern tip, near Zvishavane, is the Wedza Complex, where Impala Platinum (Implats) and Aquarius Platinum jointly operate the Mimosa mine; north of the Wedza Complex, near Shurugwi, is the Selukwe Complex where Anglo American and Central African

Mining & Exploration Company (CAMEC) have claims not yet in production; further north, about an hour west/southwest of Harare, is the Hartley Complex dominated by Zimbabwe Platinum Mines (Zimplats); and at the far northern tip of the Great Dyke is the undeveloped Musengezi Complex at Snakeshead, controlled by African Consolidated Resources (ACR)(Ref A).

¶3. (SBU) Platinum group metals (PGM), predominantly platinum, made up two thirds of Zimbabwe's mineral exports in 2008 and one third of the country's total exports (excluding gold in both cases). Alex Mhembere, CEO of Zimbabwe Platinum Mines Ltd (Zimplats), told econoff on February 9 that Zimplats exported US\$294 million in PGM in 2008 from its Ngezi mine in the Hartley Complex. The Mimosa mine in the Wedza Complex is Zimbabwe's second of two PGM producers. It exported about US\$250 million worth of minerals last year, according to Fungai Makoni, Mimosa's General Manager for Finance. The Reserve Bank of Zimbabwe reported in its January 2009 Monetary Policy Statement (Ref B) that the minerals sector (excluding gold) contributed 51 percent to Zimbabwe's total exports of US\$1.6 billion in 2008. From these numbers we derived PGM's contribution to exports. Zimplats anticipates doubling its 2008 ore production of 2.1 million MT by July 2009 once a new concentrator comes on stream in May 2009, and doubling platinum production by June 2010.

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Surrendered Claims Change Hands among Speculators  
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¶4. (C) Mhembere told us that the parts of the Hartley Complex that Zimplats had surrendered to the government in 2006 had been split into four sections. RusChrome took over the Darwendale section at the northern tip of the Hartley Complex and has sought unsuccessfully to sell it. Of the other three parts, a Chinese company called Global Platinum Group was trying to sell the claim it had acquired; a Russian company had sold part of its claim to a U.K. company called Amari; a Hong Kong company Cross Global had acquired some ground, while an unnamed South African company was also in discussion for the purchase of ground. Mhembere noted that Global Platinum Group, Amari and Cross Global had no exploration or mining expertise; he assumed they were asset speculators.

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First Lady "Dis Grace" Linked to Hong Kong Claim Holder  
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¶5. (U) The Sunday Times reported on February 15, 2009 that Cross Global, in which President Mugabe apparently has an interest, purchased a house in Hong Kong valued at about US\$ 5 million for Mugabe in June 2008, and that South African Hsieh Ping-Sung had bought Cross Global "off the shelf." The article also stated that Hsieh had made thousands of dollars of purchases on behalf of First Lady Grace Mugabe in January 2008 and suggested that they were intended for distribution to her husband's supporters during the first presidential election campaign in 2008.

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Anglo American on Course; Rautenbach Operation in Trouble  
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¶6. (SBU) Anglo American's Unki platinum mine in the Selukwe Complex plans to initiate about 30 years of PGM production in mid 2010, according to Colin Chibafa, Corporate Finance Specialist at Anglo American in Johannesburg, who spoke to econoff in Harare on February 11. Anglo American surrendered about 30 percent of its PGM mineral rights in Zimbabwe to the GOZ in 2008 in return for empowerment credit.

¶7. (C) CAMEC, which gained control over part of Anglo American's surrendered ground last year (Ref C), had announced optimistically in July 2008 that it would start production in 2009. Zimplats Director Greg Sebborn told us on February 3, however, that CAMEC's exploration team had run into "serious geological problems" at the site; early drilling results had disappointed both in quality and quantity. In addition, Sebborn said CAMEC had based its development plans on a high world platinum price that had since crashed. (Note: The price of platinum fell from over US\$2,200/oz in February, 2008 to under US\$800/oz at end-October 2008; it has since inched up to about US\$1,100/oz. End Note.) Further impeding CAMEC's operation, Sebborn and Chibafa told econoff separately that CAMEC's claim (which is about one third of Anglo Platinum's relinquished ground) was now the subject of a double-pegging dispute with the South African mining entrepreneur Loucas Pouroulis. (Comment: It is unclear whether Pouroulis had double pegged CAMEC's claim or the GOZ had sold the rights twice. End Comment.)

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¶8. (C) Chibafa added, with some schadenfreude, that Anglo American had recently rebuffed a request from CAMEC for water from Anglo American's nearby Unki mine complex. He also told us that CAMEC's operation was hamstrung by inadequate power supply. We had predicted (Ref C) that major CAMEC shareholder Billy Rautenbach\* a Specially Designated National\* would flip the asset quickly. However platinum executives pointed out to us that the claim was far more valuable with proven rather than unproven reserves, thus explaining Rautenbach's investment\* at a minimum\* in exploration.

¶9. (C) Whether Rautenbach can continue to finance exploration is unclear. In January, a Rautenbach contractor on a different project told econoff that USG sanctioning of Rautenbach had dried up some of his companies' lines of credit and put him under considerable financial stress. Compounding Rautenbach's problems, Zimbabwe's independent weekly The Standard reported in its February 15-21, 2008 issue that about 2,000 families had refused to vacate their smallholdings to make way for an ambitious Rautenbach bio-diesel project in Masvingo province. Having led the removal of white farmers from their farms, they didn't want to give up their land to another white person.

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Comment  
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¶10. (C) Zimbabwe's second largest platinum reserves in the world have the potential to earn the beleaguered economy huge foreign exchange returns. Yet the GOZ frightens away serious investment by threatening reputable players, mineral rights and breaching contractual agreements. On top of that, in characteristically short-term thinking, it apparently has sold the platinum claims wrenched from major international investors to asset speculators, including Mugabe himself. Cleaning up the minerals sector would go a long way toward stabilizing Zimbabwe's economy.  
MCGEE